



CITY OF HAYWARD AGENDA REPORT

AGENDA DATE 09/19/00

AGENDA ITEM _____

WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Acting Finance Director
SUBJECT: Living Wage Ordinance Report

RECOMMENDATION.

It is recommended that the City Council accept this report.

BACKGROUND:

In April of 1999, the Hayward City Council adopted a living wage ordinance that set a minimum wage level for employees of certain types of businesses that contract with the City of Hayward. The ordinance covers all automotive repair, facility and building maintenance, janitorial and custodial services, landscaping, laundry services, temporary personnel, pest control, security services and certain social service agencies contracts with a value off \$25,000 or more. The ordinance calls for a report to be made to the City Council by October 1, 2000.

At the time the ordinance was adopted, affected corm-actors were required to pay their employees a wage of no less than \$8.00 per hour, if health benefits were provided to the employees, or \$9.25 per hour if health benefits were not paid. The ordinance provides that the hourly rates are to be adjusted each July 1 to reflect the change in the Bay Area Consumer Price Index (BACPI) for the twelve-month period ended the proceeding April II. Prior to June 15th of each year, staff calculates and circulates to all affected contractors new hourly rates.

Effective July 1, 2000 the rates are \$8.30 per hour, if health benefits are paid to the employees, or \$9.59 per hour if no such benefits are paid. These rates are based on BACPI off 3.72 percent.

The ordinance requires a report to the City Council by October 1, 2000, which specifically addresses the following areas:

- 1) The extent to which the benefits required by this ordinance are accruing to Hayward residents.
- 2) The extent to which service contractors are complying with this ordinance.
- 3) The manner in which this ordinance is affecting the workforce composition of service contractors.
- 4) The manner in which this ordinance is affecting productivity and service quality off service contractors, and

- 5) The manner in which the additional labor costs required by this ordinance have been distributed among employers, employees and the City.

The following is a report on each of the areas as contained in the ordinance

1. The extent to which the benefits required by this ordinance are accruing to Hayward residents.

Over the reporting period, a total of 54 employees were affected by the living wage ordinance. Thirty-three individuals are City employees and 21 are employees off private sector contractors. Overall, it was determined that 32 Hayward residents or 59% and 22 non-Hayward residents or 41% were affected. With respect to City employees, there were 33 Library Pages affected, which include 15 Hayward residents and 18 non-Hayward residents. There were 21 private sector contractors' employees affected which include 17 Hayward residents and 4 non-Hayward residents.

Hayward residents working for service contractors received an hourly wage increase off \$.75 to \$1.00 per hour. Library Pages that are Hayward residents received hourly wage increases of \$.95 to \$1.05 per hour.

2. The extent to which service contractors are complying with this ordinance.

The City utilized 13 outside service contractors, covered by the ordinance, during fiscal year 1999-2000. All outside service contractors reported compliance with the ordinance. Additionally, the ordinance applies to two social service agencies, which are funded in the process involving the Human Services Commission. The agencies are Parental Stress Service, Inc. and La Familia. These agencies are in compliance with the ordinance. Finally, the City had 33 employees, all Library Pages, which were subject to the ordinance. The City is also in compliance with the ordinance.

3. The manner in which this ordinance is affecting the workforce composition of service contractors.

As noted above 21 outside or private sector contractor employees were affected by the ordinance. Seventeen of the employees work for the City's security firm and four employees work for a landscape maintenance firm. Neither firm indicated a change in their workforce composition or a reduction of employee work hours due to the wage ordinance. With respect to the social service agencies, there were no employees below the wage levels specified by the ordinance.

4. The manner in which this ordinance is affecting productivity and service quality of service contractors.

The City competitively bids for various types of service work on a routine basis to ensure that the City receives timely, cost effective and quality work. Except for the circumstances noted below all other contractors subject to the ordinance were already paying wages at or above the required levels. More specifically the City incurred

approximately \$5,000 in additional landscape maintenance costs and \$4,000 more for security services due to the ordinance. In both cases the services were competitively bid. With respect to the security firm, the bids of other security firms exceeded the bid of the winning firm including the \$4,000 increase. Additionally, the other firms' service levels were less than the current service level.

Finally, the janitorial service contract was competitively re-bid. The cost for the janitorial contract is approximately \$15,000 over the prior year. However, the successful low bidder's wage schedule was already in compliance with the requirements of the ordinance and the increase is not attributable to the ordinance but to an increase in the level of service.

Based on the information noted above and staffs ongoing review and monitoring of service contracts it is staff's opinion that productivity and/or service quality has not been adversely affected.

5. The manner in which the additional labor costs required by this ordinance have been distributed among employers, employees and the City.

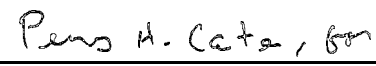
As mentioned above additional landscape and security service costs were passed onto the City. Consequently, this cost was not distributed among the employer or employees. With respect to City employees, the \$22,000 total cost for raising the hourly rate for Library Pages was borne by the City's General Fund.

Another area touched on by the ordinance is compliance. More specifically, the Ordinance provides that the City may make periodic review of service contractors records to verify compliance. For this first reporting year staff elected to interview private sector contractors and social service agencies. For upcoming years staff will make periodic reviews of appropriate records to insure compliance. Also, the City has under the ordinance the authorization to investigate any claimed violations. To date, there have been no reported violations of the ordinance.


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Recommended by:


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